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JUNE 14, 2006

USF BOARD STAFF

STRAW RECOMMENDATIONS

SUBMITTED TO THE BOARD FOR CONSIDERATION
AND
FOR PUBLIC COMMENT

Board Agenda Meeting
June 7, 2006

These recommendations reflect a consensus of the BPU Staff.

The attached recommendations highlight cornerstones of the USF program to be considered in light of objectives for the 2007-2008 program year, October 1, 2007-Septmber 30, 2008. Each recommendation can be considered on its own. The recommendations also collectively comprise a comprehensive approach to revise and update the current USF program.

Final Recommendations will be presented to the Board upon conclusion of a stakeholder process on the Report and Staff's Recommendations. After careful consideration of the Report and stakeholder comment, the Board is expected to adopt Final Recommendations in this matter. A USF Rule Proposal is expected to follow shortly thereafter.

Upon adoption of Final Recommendations by the Board, Staff expects to approach the 2006-2007 Program Year as a "Transition Year" (October 1, 2006 – September 30, 2007), during which time Staff will undertake steps to implement Final Recommendations as directed by the Board.

I. Type of Program

The Report describes USF as a fixed credit percent-of-income benefit that requires annual eligibility recertification. The affordability standard (the amount that each household should contribute to the cost of utilities) is set at 3% of income for electric and 3% of income for gas, or 6% for all electric. The general program is also accompanied by a 12-month noncontributory arrearage forgiveness plan known as “Fresh Start” in which all USF recipients with arrearages greater than $60 are automatically enrolled. Although a “cap” is set at $1,800 per household – the maximum USF benefit amount any one household can receive annually, there is no aggregate annual program “cap” on the total funds program benefits utilities may allocate to eligible USF customers in any given year. Any eligible person can receive benefits up to the maximum amount. Therefore, annual program costs hinge upon several key factors -- 1) the number of eligible persons who qualify for benefits in any given year, 2) the amount of Fresh Start arrearage forgiveness granted, and 3) administrative expenses incurred in running the program, among other factors.

Staff Recommendation

Staff recommends the Board affirm that USF is a limited, annual energy assistance credit, not a social service benefit designed to solve all of a household’s needs for financial assistance that pertain to energy usage. Staff further recommends the current Program Structure and Eligibility Requirements be maintained for the 2006-2007 Program Year, including the current program eligibility requirements, but clarify that the percentage of income requirement is a method to estimate a targeted benefit amount. It is not a mandate to ensure every customer pays only the exact percentage of his or her income, under any circumstances whatsoever. It is a target or goal.

Some Board Orders refer to the Program as “fully-funded” creating the impression that the Board is willing to fund the program no matter what its costs. Staff recommends the Board unequivocally clarify this and allocate a fixed annual sum for benefits. At present, the USF program is funding through an over-recovery/under-recovery mechanism that is only loosely linked to the Program budget. Applications are conducted on a “rolling basis” in which applicants can apply at any time. Benefits are credited on monthly basis for twelve successive months from the date of a benefit determination. Accordingly, benefits credited to accounts, as well as expenses incurred, can exceed amounts budgeted because the funding mechanism and budgets are not directly linked.

Staff’s proposal changes this. All applicants would be required to apply for USF within a designated time frame (“application window”). The benefit would be for a fixed period of time, based on fixed annual funding -- determined several months prior to the commencement of each new Program Year. The benefit would be credited on a monthly basis, but applicants would only receive benefits based on available funding for a common fixed term. Staff recommends the Board phase-out the Fresh Start Program as well.

Upon final adoption of this recommendation, utilities would cease to enroll applicants in Fresh Start for the 2006-2007 program year and program participants (DHS, DCA, OIT, utilities) will be directed to work with Staff to implement necessary technical changes so all necessary computer information systems can be tested prior to the 2007-2008 Program Year and applicants receive communication that reflect any changes adopted by the Board.

Pivotal Points

Percentage of income program (PIP). The PIP concept is the most equitable way to ensure that those least able to pay high energy costs, due to income limitations and high energy burdens, are enrolled in the program and receive its benefits. However, a number of advocacy groups have argued, informally, that the percentage of income criteria: is an explicit guarantee or commitment by the Board to ensure that Program participants pay no more than the designated 3% or 6% of their income. Accordingly, there is an expectation that those orders compel or authorize Staff or the Program Administrator to either manage the Program to dispense benefits to minimize any variance from the percentage of income criteria and make administrative changes consistent with that interpretation. Staff does not interpret the Board Order to mean the percentage of income requirement is a guarantee that obligates the Board to ensure that the program is managed to meet those percentages. Accordingly, Staff recommends the Board clarify this in its forthcoming order adopting program changes by making clear that the percentage of income requirement is a ‘target’, not an absolute.

Fixed Credit. Key to the Board’s adoption of a “fixed credit program” is the idea that the customer bears the risks for fluctuating energy costs, increased usage, or other changes. Some stakeholders have periodically asserted that the Board’s goal is to guarantee a percentage of income benefit to all eligible USF customers as a fixed percentage of income – regardless of cost. That is not the Board’s intent or goal. First, it is technologically and operationally impossible – as well as cost prohibitive -- to guarantee that all customers pay only a fixed percentage of income, under any and every circumstance whatsoever. Benefits are designed to be calculated only once a year. A rigorously enforced fixed percentage of income would not only require perpetual recalculation every time energy prices fluctuate, it would remove any incentive for customers to conserve energy and voluntarily reduce energy costs – and defeat a major purpose of a fixed credit program, which includes administrative simplicity.

For example, the benefit is calculated once a year. The USF program is not designed to respond to fluctuations in the cost of energy. There is some flexibility for the utilities, based on staff directives, to include any authorized self-implemented rate increases in a customer’s energy burden when new enrollees join the program (May 24, 2004 Staff memo) but no obligation on utilities or DHS to recalculate customers calculated prior to such increases. This is why a Board Order was required to readjust benefits one a one-time basis in response to unanticipated rate increases. The subject of the programs' responsiveness to rate increases and its impact on the percentage of income eligibility requirement has created inconsistencies in the programs which are to be corrected and the forthcoming rule process.

Fully-funded. It has been suggested that the program is designed to be "fully-funded" – based on the use of an undefined term in a Board Order. Some parties assert that this term means the Board intended to fund any eligible participants who enrolled in the program, up to the designated cap of $1,800, regardless of the number of people who apply and qualify for the USF Program. Staff seeks clarification from the Board on this point. Although the Board has authorized benefits be disbursed to all applicants that qualify for the program -- such language has always been used with the expectation that the Board would determine the eligible population and assess the annual enrollment rates and expenditures, and adjust the program accordingly.

Elimination of Fresh Start**.** No aspect of the Report demonstrates that the Fresh Start program has any significant impact on changing customer payment patterns. Staff views USF as an energy assistance benefit, rather than a debt-relief program. Staff finds it is not appropriate to continue to expend ratepayer funds on this aspect of the USF program at this time. Approximately $21,679,000.00 in Fresh Start credits were issued last year, compared to $73,732,000.00 in USF credits. Over 23% of USF Program costs are attributable to Fresh Start. Given the need to ensure that the neediest and most vulnerable population receives priority for limited USF funding and that the benefit be characterized as energy assistance, not debt-forgiveness, Staff recommends elimination of the Fresh Start Program in 2006-2007.

Conclusion

The USF program is designed to take individual situations into account such as income and usage, and use that information to calculate a benefit, targeted at 3% of income. However, that is not authorization or a directive to constantly readjust the program to accommodate individual beneficiaries. Staff has determined that such an approach is counterproductive operationally, as evidenced by the wide disparity in how benefits are allocated among similarly situated people. The need for on-going Board orders and/or staff directives for program management and interpretation, suggests the program will benefit from stability, as well as specified Board-directed objectives managed within annual budgetary limits.

II. Communications

The area of Communications presents the greatest area for improvement. Improving communication is the single most important step to removing information barriers that prevent people from accessing the Program. Adopting the Recommendations in the Report will improve the likelihood that the number of current non-participants who are eligible for the program, enroll. The Report very clearly identified barriers to program participation (pp. 44-60) and program retention (pp. 94-99). The Report concluded, "It is clear that USF clients have very little awareness or understanding of the USF program." (p. 60). The Report recommends BPU adopt a communications strategy.

Staff Recommendation

Staff recommends the Board retain an experienced communications firm and for the Board to consider the most cost-effective options to increase awareness of the USF program. This is essential. Eligible program participants need to understand the substance and nature of available benefits, and other ratepayers understand the purpose and function of the program. Staff recommends the Board authorize Staff to develop a centralized, coordinated communications message for the 2007-2008 Program Year, as well as continue to educate current customers and new enrollees in the 2006-2007 Transition Year. The message must impart a comprehensive and cohesive message regarding the USF Program, and enable the those that administer the program (DHS, DCA, utilities, CAP agency) to convey specific, relevant information to customers regarding their rights and obligations upon enrolling in the Program. Staff recommends the Board direct Staff to develop an RFQ or RFP to undertake and implement this objective for 2007-2008.

As part of an effective communication and service-delivery strategy, Staff recommends the Board direct Staff to present to the Board with a proposal/defined plan to achieve a 'one-stop-shopping' approach to energy assistance benefits. This would include, but not be limited to, adopting relevant recommendations set forth in the APPRISE Report, as well as consolidating information databases and applications – linking USF eligibility to conservation programs such as Comfort Partners, whenever possible. This is to ensure that customers need only complete one application to receive the maximum amount of energy benefits for which they may be eligible and that customers receive an effective coordinated message between energy usage and conservation. Communication also encompasses directing applicants to the appropriate venue to attain clear and simple resolution of benefits-related matters or related issues that concern them.

Staff does **not** recommend or envision a 'one-size-fits all' communication approach. Nor does staff suggest requiring the Board to screen and approve individual program communication on a daily or weekly basis. Rather, the Board should communicate objectives so program partners can reinforce and achieve those objectives, working in tandem to achieve results. Coordinated communication should reinforce – rather than supplant direct relationships between program partners and USF clients, while ensuring that each program participants conveys information in a simple, straightforward manner. The proposed RFP should coordinate recommendations on "one-stop shopping" with a targeted communications for vulnerable populations, identifying what type of media (brochure, letter, poster, radio) and outlet (library, mass mailing, utility) that will be most effective at achieving complementary objectives.

Pivotal Points

Staff notes that 'awareness' is a consumer's general knowledge of the program's availability; 'understanding' reflects a program participant's comprehension of eligibility requirements, the means by which to apply, the specific steps he or she need to undertake to qualify, maintain, and receive the benefit -- as well as the value of the benefit received.

At present, no single communication forum or publication clearly sets forth the role of all the participants, or the rights and responsibilities of ratepayers and program recipients. With so many entities interfacing with USF-eligible customers on this and related issues, in different service territories, at concurrent and sequential phases in the process – it is not surprising that customers do not know who is responsible for which aspects of the program or which entity can resolve an issue on their behalf. When simple customer-oriented questions arise, the applicant or enrollee needs a simple, direct source to obtain accurate information regarding their eligibility or benefits. It is beneficial for clients to have more than one information source through which they can access the program (over ¾ of clients surveyed reported one or more information source) – but it multiple sources of information may also create confusion about the best way to access the program, as well as the most effective means to communicate.

Customers do not appear to have a clear idea of how to apply for benefits or re-apply for them, due to multiple points of contacts, and a complex administrative structure. For example: 1) Customers access the program by mail-in application or through enrollment applications taken at the time applicants apply for different services, such as Food Stamps; 2) Program partners (utilities, DHS, DCA, CAP agencies) administer different aspects of the program and fulfill different services and functions, at different phases of the process, with overlapping duties: DHS handles complaints, as do utilities and the Board; DHS handles appeals from denial of benefits, and the Board receives petitions involving benefit disputes; some notices are received from DHS, others are received from utilities. 3) DHS disseminates state-wide customer communication involving all USF customers. Customers also receive brochures mailed prior to the inception of the Program that reference the Governor, and Board President, as well as Ratepayer Advocate; however, Ratepayer Advocate plays no formal role in the determination of benefits or administration of the Program; 4) DCA, through cap agencies, handles much of the application processing and completion of individual applications. CAP agencies who contract through DCA play a substantial role in the program – they submit and process the applications on behalf of clients. However, CAP agencies are not formally described in program materials nor is their role substantially defined or elaborated on in Board Orders, despite their role in the Program; and 5) Utilities send customers monthly utility bills, a program enrollment welcome letter (on letterhead referencing the Governor and Board of Public Utilities President), as well as address customer questions and complaints, and undertake and enforce deferred payment arrangements and shut-offs for non-payment. BPU interfaces with utilities and a USF Working group – setting policy – and providing regulatory oversight, much of which is neither seen nor understood by the customer. Therefore Staff recommends the Board direct Staff to work with the Board's program partners (DHS, DCA, utilities) and advocacy groups to clarify the sequence, content and source of information a client is to receive in the Transition Year – to make sure the client understands how to access the program – and direct Staff to oversee an RFQ/RFP to address communication in Program Year 2007-2008.

Conclusion

The current program structure requires constant, on-going communication with a large number of customers. Any communication must complement current utility company functions with respect to their responsibility for dealing directly with customers, while enhancing the roles of other program participants who administer USF. Staff strongly advocates for retention of a communications experts and consideration of a centralized USF call center by the Program Administrator or utilities. This may streamline and simplify existing program communication to enhance customer awareness and understanding. Staff would like to obtain additional expert input to identify specific strategies the Board can implement to take advantage of economies of scale of particular communication venues to effectively convey a clear message about the Program and its many benefits.

III. Intended Beneficiaries

The Board never expressly stated who within the low-income community it intended to serve by establishing the current program eligibility guidelines and Fresh Start program. The average annual income for USF-participant households is about $12,000 (Report, p. 100). The Report details the size of the population eligible for USF benefits, the participation rates of eligible households, and the participation rates for households with the greatest needs. Pages 19-43 of the APPRISE report describe the demographics of the population currently served by USF, and the Report ultimately concludes that "the USF Program is not serving the households with the greatest needs at a higher rate than other households." Households with the greatest needs are those with 1) the lowest income, 2) the highest energy burden, and 3) the most vulnerable members (elderly, disabled, child).

The program targets the lowest-income households, but does not necessarily reach 'vulnerable groups' such as the young, the elderly, or groups with language barriers – or those households with the highest energy burden. However, the impact of USF is significant for those who receive it – it covers about 40% of the total energy bill for eligible clients (Report, p. 106). Therefore, the benefit can make a substantial impact on the affordability of energy for an eligible recipient.

Staff Recommendation

The report identified technical, informational, and procedural barriers to accessing the program. Those barriers have even greater impacts on the most vulnerable population. USF is equally available to all people, of all ages, provided they meet the eligibility criteria. However, the program is not specifically targeted to subgroups and hard–to-reach populations.

Staff recommends using targeted communications and increased program education efforts to reach under-served populations in their communities, rather than make substantial program changes to reach these groups. Staff also recommends direct outreach to other service providers and greater interaction and oversight of CAPs that provide USF-related USF services.

Pivotal Points

The *technical barriers* include the reality that a prospective customer must have utility bill in his or her own name. Households with utility bills included in the rent are not eligible for the program. This accounts for about 15% of low-income households.

The *procedural barriers* include burdensome application in-take procedures. The *informational barriers* include households that are not aware of the program, or do not realize they are eligible, or the customer that does not understand the steps he or she must take to stay enrolled in the program.

Conclusion

The Report recommends improving client outreach to overcome identified barriers and to better reach vulnerable populations. Staff concurs with this observation and believes it should be addressed in both a 1) "one-stop shopping" implementation plan and 2) as part of a communications RFP that effectively targets this population.

IV. Program Management

The Report concluded that, based on the current model, the Board needs to increase the DHS budget to 10% of total program funding to serve the needs of the program. In addition, the Report stated the Board needs to establish the staffing and contracting needs for each agency (DHS, OIT, DCA, and Board Staff) that plays a role in the Administration of USF. Specifically the report cites unmet program needs as the basis for the infusion of additional resources – unspecified management activities, client outreach and communication, and system enhancements to name a few. In addition, the Report cites the need to improve operational reporting (DHS/OIT to Board) and fiscal documentation and reporting (DHS/DCA to Board) – as well as updating the applicable Memorandum of Understanding between agencies to set forth operational links between USF and the Lifeline program. See Section VI below ("Program Effectiveness").

Staff Recommendation

The Board envisioned the USF program as a complement to the federal HEA program, with a joint application and cost-share arrangement. As such, existing infrastructure, common management, and dispensation of similar benefits were expected to have resulted in providing a program at nominal incremental administrative costs, as opposed to a new system which would have required infrastructure built from 'ground up'. Although USF has benefited from existing administrative structure, it costs are not necessarily "incremental".

Staff recommends the Board streamline the USF program to provide more centralized control and clear delegation by the Board through direct contracts with service providers. Before providing additional funds over and above established budgetary caps, the Board needs to request a State Audit and reconciliation of accounts of existing service providers to determine how program costs should be allocated among those service providers and identify areas to create managerial efficiency before investing more dollars in program administration.

Pivotal Points

As discussed in section V below, none of the service providers have provided a budgetary plan that specifically establishes how past monies were spent. These service providers must demonstrate how additional money and resources will translate into increased customer benefits, simplify administration, and address specific points raised in the Report. Until that occurs, the Board is advised by Staff to maintain the $3m administrative budget cap until service providers demonstrate how increased funding will improve the program and result in a tangible, quantifiable higher level of service.

Conclusion

Upon direction from the Board, Staff will renegotiate the applicable MOUs with relevant agencies and clearly identify mutual expectations and obligations. Updated agreements will set forth greater operational detail. Staff also plans to implement the Report recommendations for decreasing program barriers in a manner that will streamline the program and simplify its administration.

V. Fiscal Accountability

The APPRISE Report addresses this issue through the program reporting requirements, and the program's overall savings as reflected in its net cost analysis.

Staff Recommendation

Staff recommends DHS be required to submit a budget that allocates sums between DHS and DCA, which the Board approves each year, prior to the rate-setting process. Staff also recommends the Board conduct program audits, and memorialize this recommendation in the form of a rule.

Pivotal Points

Utilities complete annual USF rate-setting compliance filings. To do so in a timely manner, the total annual USF program benefit amount and related DHS/DCA/OIT administrative cost budget must be determined and furnished to the utilities at least 90 days before the start of the next USF program period. If DHS fails to provide the DHS/DCA/OIT administrative cost budget in a timely manner, the amount previously allowed by the Board for this purpose, $3 million will be budgeted for the program period. According the APPRISE Report, this number would be too low for DHS to meet its administrative obligations – yet DHS has not provided any basis for Staff to develop a budget based on actual program costs or other sound methodology.

Given that the USF Program currently provides over $100 million in benefits that are ratepayer funded, it is important that the Board institute an ongoing auditing program in an effort to determine if the utilities, DHS, OIT, DCA and CAP Agencies have fulfilled their fiscal responsibilities. It is envisioned that audits of the utilities would be performed by staff or an outside firm and that audits of the DHS/DCA/OIT/CAPs would be done by the Office of the State Auditor. The general audit areas to be covered are as follows:

Utility Audits

? USF credit issuance
? Billing
? Remittance
? Recovery and Interest
? Administrative Costs

DHS/DCA/OIT/CAP

? Eligibility Determination
? Benefit Calculation
? Administrative Costs

Conclusion

The Board needs to ensure fiscal accountability to maintain program integrity. However, since the Board does not regulate other State agencies and all agencies have a collective interest in the Program's success, the Board will need to consider other effective enforcement tools to ensure that this is carried out effectively so that the Board can fulfill its duties to ratepayers.

VI. Program Effectiveness

The Program History and Operations Report concluded, "We did not find any evidence that program cost-effectiveness could be improved by spending administrative dollars more efficiently. Rather we believe that the best way to improve cost-effectiveness of the program is to implement program changes that will increase program impact." (Executive Summary, xxiv). This finding was confirmed by the main Report as well (p. 158).

Staff Recommendation

The Report concluded that the administrative dollars expended in benefits administration could not have been spent more efficiently. "Cost-effective" is not defined. Staff recommends the Board adopt written objectives and program measures by which to determine that its goals and objectives have been achieved at an acceptable cost.

Pivotal Points

The Program is without clear, simple, written goals or specified benchmarks or targets of achievement. As such, it is not currently possible to determine whether or not specific goals have been achieved within reasonable costs. Each entity affiliated with the program may expend its funds prudently and wisely, but that does not guarantee that goals have been achieved. Therefore, the Board must consider the following:

1) There are no written program goals/measures by which to assess the baseline for what constitutes reasonable costs and the level of service to be provided for costs. Potential program measures include, but are not limited to: the number of people served, the percentage of the eligible population served, the success rate in curtailing shut-offs, number of USF accounts in arrears, and collection activity. Ideally, program assistance and successful coordination of benefits with other energy assistance programs, such as Lifeline and Comfort Partners will enable USF to demonstrate program effectiveness in the aforementioned areas.

2) There are no written, prioritized goals by which to determine that the goals were achieved for the dollars the Board believed suitable to expend. The absence of clear written objectives makes it difficult to identify a tangible level of success or achieve desired outcomes within specified costs. There must be a link between

the dollars expended and the program objectives to deem the program effective in achieving its objectives.

3) The administrative costs, in this context, only pertain to DHS costs – not the administrative costs incurred by utilities in making on-going changes and modifications to the program. The absence of rules enabled different constituent groups, utilities, Staff and program participants to interpret orders differently. As a result, time is sometimes expended in determining whether a decision is within the scope of authority of DHS or Staff – or whether an issue should be presented to the Board. These costs, as well as the cost of other administrative decisions may be reflected in utility filings – not the DHS or BPU budget. For example, a backlog of applications and adjustment of benefits in response to rising gas prices both proved to be labor-intensive and time-consuming ventures for utilities. This type of cost-shift makes it difficult to assert that the program is cost-effective – because the program structure and definition of administrative expenses may not make readily apparent the actual cost of the program once these types of factors are considered.

Conclusion

Staff recommends the Board establish concrete performance measures for the Program, as well as specified annual goals, so it has a benchmark by which to assess the achievement of those goals. A concrete plan of action, reviewed and adopted by the Board, would minimize the need for on-going program modifications. Until concrete objectives and program measures have been established, there is no accurate way to assess program-effectiveness relative to specific goals.

VII. Regulatory Oversight and Information management

There is no single repository for USF reports and information throughout the entire program. "Information management" means the acquisition, retention, and presentation of information in such a manner that the information can be readily accessed and used to inform the Board about the program. Furthermore, the RFP – and hence APPRISE Report -- does not specifically request APPRISE to make recommendations as to how Staff, utilities, DHS or others can better acquire and access information necessary to manage the Program. However, the Report suggests the Board has all the informational tools available to run a top-notch program – the Board simply needs to use the tools it already has at its disposal. For example there is a Data Tracking report (date) that has yet to be implemented. Implementation of that Report would represent a significant step in improving managerial accountability.

Staff has access to information regarding payment compliance, service maintenance (shut-offs), program retention, energy usage, and client impacts. However, this information is collected in different reports, in different reporting formats, on different reporting schedules – and frequently retained in different databases and used by different program participants for different reasons.

Staff Recommendation

Staff recommends the Board direct staff to propose a centralized data management system for USF, and implement any and all aspects of the May 2004 Data Tracking Report. Staff also recommends the Board meet with utilities and DHS to streamline all current forms of data reporting, and ensure the forthcoming Rule Proposal specifies the content, submission dates, distribution process, and format of applicable reports. Staff also recommends briefly reporting to the Board on a monthly basis, at the end of a regular agenda meeting, the status of the USF Transition to 2007-2008.

Pivotal Points

The amount of data currently collected in connection with this program exceeds the time and resources available to staff to analyze and act upon the information being provided. OIT implements decisions pursuant to guidance by DHS. Indirectly, DHS has immense control over the informational systems upon DCA, the Board, and utilities are dependent. DHS, as Program Administrator, sets the technical priorities. However, DHS/OIT and other entities (utilities, DCA, Board Staff) do not always agree on technical or reporting priorities.

For example, agencies such as DCA have claimed the computer system by which they are required to manage the application in-take process is cumbersome –and that DCA is without the ability to prioritize its own information management and in-take process because the primary administrator of the system is OIT which has a contractual relationship with DHS.

Staff concludes that the current USF information system is an excellent data collection and retrieval system, provided the entity that seeks to use the system has access to the system, as well as a contractual means by which to manage, use, and service the system in accordance with its own priorities. However, without adequate support or access – the system itself can become a barrier to the program. The Board needs to re-evaluate and determine the appropriate entity to set technical implementation priorities that impact administration of the program – particularly when DHS and utilities, as well as DCA do not have a common view of regarding priorities. DHS does not regulate utilities, but its decisions can impact utility costs or shift its own through discretionary technical directives issued in the course of administering the Program.

Conclusion

The Board needs to determine: 1) the level of control it wants and expects to have over the day-to-day operations of USF, 2) whether or not it expects to contract directly with each service provider, and 3) whether the relationship between DHS and OIT, and other clients – such as DCA needs to changes in light of #1 and #2.

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CONCLUSION

The USF program has successfully served over 100,000 households. However this only represents approximately 49% of the eligible population. To serve more households, more effectively, USF will require greater centralization and more clearly defined roles and duties among program participants. The Board directs Staff to commence a stakeholder process on the recommendations contained herein based on the timeframe set forth below.

I. Program year 2006-2007 ("Transition Year")

Staff can take immediate action upon the three most crucial areas of the Program ripe for action this upcoming year:

? **Education and communication** -- Staff must engage interested stakeholders to craft the message and disseminate a powerful message this year. To prospective applicants, USF appears to be complicated and ancillary compared to other benefits for which eligible persons apply. Staff must rigorously develop and purse and effective means to communicate a simple, understandable USF message.

? **Technological Priorities and Planning** -- The Board expects Staff to implement a recommendations set forth in a earlier Data Tracking report. The Board intends to direct Staff to work with DHS and DCA, as well as OIT and utilities -- to ensure competing the technical priorities are reconciled among service providers. Upon adoption of Final Recommendations in this program, Staff will provide monthly reports to the Board as to the status of those priorities and progression towards testing and implementation of program changes for 2007-2008. Most notably, Staff may be required to ensure databases are integrated so relevant information can be used by any agency with appropriate access, to effectively deliver one-stop shopping energy assistance benefits or related financial assistance benefits.

? **Completion of Existing Applications** – the Report attributes under-enrollment to a large percentage of incomplete applications, which requires more effective on-site problem-resolution. Customers are clearly interested in the USF benefit to the extent they took the first steps to apply but did not complete the process. Under-served populations may need assistance to complete applications. DCA bears primary responsibility for resolution of any and all incomplete USF applications in the midst of CAP agency processing - -and needs to confer regularly with DHS and Staff about the steps it has taken to address those issues.

II. Program Year 2007-2008

The Board intends to approve Final Recommendations in this matter, upon conclusion of the stakeholder process, and adopt a corresponding implementation plan to carry-out those recommendations. Those items are to be presented prior to the start of the 2006-2007 Program Year, in conjunction with a Rule Proposal for Program Year 2007-2008. Recommendation reflected herein are expected to be among the Final Recommendations, albeit as modified by stakeholder input.

The Board anticipates directing Staff launch a communications and education initiative that will yield increased enrollment of eligible USF customers for 2007-2008, as well as ensure re-enrollment by eligible persons the following year. The Board expects to fully engage the USF Working Group or issue-specific Task Forces for this purpose – as well as tap any necessary expertise required to generate an effective, centralized communication strategy regarding the USF Program.